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dounds, it is asserted, mainly to the benefit of counts, princes, and kings, "and Bismarck was a prince." The conclusion was a foregone one before a single "statistic" was misquoted. It is: "Socialism alone can bring about the freeing of the working classes."

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*Die deutschen Getreidezölle. Eine Denkschrift.* By LUJO BRENTANO. Second edition. (Stuttgart and Berlin: J. G. Cotta'sche Buchhandlung Nachfolger. 1911. Pp. 124.)

The original contribution by Brentano on the German grain duties was prepared for the Free Trade Congress which met in Antwerp in August, 1910. The second edition contains answers to various objections raised by members of the Agrarian and Center parties. The statistical appendix has also been enlarged and improved, and now forms about a third of the work (pp. 83-124), offering the best single collection of statistical material relating to German agricultural protection. The extensive foot-notes also refer to most of the literature on the subject.

At the beginning of the nineteenth century from 75 per cent to 80 per cent of the German people were occupied in agriculture. Though much land was not cultivated, yet considerable grain was exported, made possible because of the low standard of living. From 1800 till 1900 there was an increase of 43 per cent in cultivated land and 35 per cent in grain lands, due largely to the disuse of fallowing. Enough poor land, however, was brought under the plow to hold down the average yield per acre, compared with England. Most of this increase in acreage occurred before 1878; while from 1878 to 1900, the increase in plowland was only 0.99 per cent, against an increase in population of 29 per cent. In other words pressure was then transferred to the intensive margin. As a result, wheat imports began to prevail after 1876; and at the same time prices declined rapidly, owing to the westward movement of population and consequent extension of grain growing in America, after the panic of 1873; and also because of the concurrent cheapening of transportation both by land and sea. This fall in prices, causing a crisis in German agriculture, converted the German agrarians, who had hitherto formed the backbone of the free-trade party, into ultra protectionists. Bismarck was thus enabled, in 1878, to establish an alliance between the agrarians and manufacturers, based on protection, which put

through the protective tariff of 1879. The duty on wheat and rye, in the tariff of 1879, was 1 m. per kg. This proved ineffective as a protective measure owing to the continued cheapening of transportation and the special export rates on Russian railways. The rate was therefore advanced to 3 m. in 1885 and to 5 m. in 1887.

A large part of the work (pp. 10-42) is concerned with the effects of these Bismarckian duties. This portion is of considerable theoretical interest. The author's conclusions are, in brief: (1) that the duties did not cause a cessation of imports nor prevent a further decline in prices, though prices fell less in Germany than abroad; (2) that in consequence the duties yielded a large revenue; (3) that the German consumer, in the long run, paid the whole tax, except for the reduction in rates on Russian railways; (4) that the profits went exclusively to 19 per cent of the farming population, chiefly large landowners; (5) that the bread tax amounted to from 1 per cent to 7 per cent of the usual family income, being the equivalent in the case of weavers of 17.9 days labor per year; (6) that taxes on bread tended to check the use of other less indispensable or dearer commodities, such as meat; (7) that the grain taxes tended to drunkenness,—under-feeding and over-drinking being closely associated; (8) that grain prices and crime rose and fell together; (9) that grain duties had no tendency to render German agriculture capable of competition with other countries; (10) that they also tended to military weakness, since even in peace hundreds of thousands of immigrant laborers are necessary to harvest the crops, and in time of war, with most of the men withdrawn from the fields, the result would be famine.

The increased importation of grain, especially of wheat, was due to the growth of the cities, the enormous increase of population, and the rising standard of living. Since 1882 there has also been a continuous decline in the area of farm land on account of the multiplication of roads, industrial plants and suburban districts. Grain imports have however been held in check to some extent by increasing intensity of cultivation, which has taken place despite falling prices. This increased intensity has been regarded by some as an effect of the duties, but the author points out that this explanation is untenable because the duties failed to advance prices. The author seeks to explain it through increased technical efficiency, which occurred in spite of, rather than because of the duties; and also through the assumption that German agriculture

was still operating in many respects under the law of increasing, rather than the law of decreasing, returns. This suggestion is interesting, since it has usually been supposed that increasing returns cease at an early stage of agriculture. Certainly increasing intensity of cultivation in an industry subject to increasing cost, in the face of falling prices, seems to be an economic paradox which will require careful statistical investigation for its solution.

In connection with the question of incidence, it is shown that the amount of the burden cannot be calculated from average prices, since goods are imported at daily or hourly, not at monthly or yearly, prices; and the inland price is always higher by at least the full amount of the duty, *when* and *where* the commodity is actually imported. The tax on fodder grains is also reflected in higher prices for animals and animal products, which materially increase the burden of the grain duties.

The answer to the question, who profited by the duties, is sought by comparing the sizes of farms and types of farming. Very small farms produce insufficient grain for use on the place; wine, stock-raising, dairy and similar districts are likewise interested in cheap rather than dear grain. Only large landowners, and chiefly those in the districts eastward of the Elbe, profited from the grain duties. The same conclusion is reached by an examination of land values, since it appears that large farms have increased in value nearly twice as rapidly as small farms. As to the social distribution of the burden, it evidently varied directly with the number of children in a family and inversely with the income, since the smaller the income the larger is the proportion of it spent for food.

In seeking to determine whether German agriculture became more or less able to compete with foreign countries, as a result of the duties, the author reaches a curious conclusion. The expenses of production comprise four items. Taxes on agriculture, he finds are lower in Germany than abroad; indeed, the landlord gets more back from the state in various forms than he pays. Wages are no higher than in Russia, when efficiency is taken into account. Interest is lower than in most other countries. There remains only land itself; wherefore the author concludes that the real and only reason why the German farmer could not compete in 1878 was the high price of land. The grain duties, moreover, have further raised the price of land, thus establishing a vicious circle. Whoever sold land profited largely but whoever bought or rented

it was heavily burdened, especially as good crops in a protected country normally cause a violent fall in grain prices. This conclusion the author thinks is not in conflict with the doctrine of rent because he does not maintain that high land values affect the price of grain, but merely that they affect the cost of producing grain in the protected country. In this effect of high priced land he finds the explanation of the continual distress of the agricultural interest in England during the corn law period. It would seem that the author's logic at this point is inconclusive. He has not shown how, if debts rise as fast as land values, and expenses of production as fast as grain prices, it is possible for a protective tariff to increase land values; nor does he undertake to explain how land values can affect the cost of production without also affecting the prices of the product. There would thus appear to be a serious confusion in the author's theory of value.

The increase of the grain tariff in 1887 was followed by retaliation abroad and bad harvests at home which together led to famine prices. Caprivi accordingly reduced the rate in 1891, from 5 to 3.50 m. In 1902, however, the tariff on wheat was again raised to 5.50 m., on rye and oats to 5 m. and on malting barley to 4 m. The reduction of 1891 was soon largely neutralized, (in 1894) by abolishing the proof of identity previously required when imported grain was re-exported. Thereafter any one exporting grain received a certificate authorizing the importation, duty free, of the same amount of grain within six months. These certificates were transferable and after 1902 were good for any kind of grain. The system obviously acted as a premium on exports, since it now became profitable to export whenever any grain was selling in Germany for less than the world price plus the full import duty. As a result, the prices of all grains were raised by substantially the full amount of the duty, at all seasons and in all parts of the country. The instability of price due to the variation of supply in favorable and unfavorable years was thus largely overcome; but the German consumer also ceased to enjoy the benefit of good crops in Germany. German grain, in fact, could thenceforth be bought cheaper abroad than at home. A considerable export trade in rye consequently arose, causing a serious loss of revenue to the government and a corresponding increase of food prices in Germany.

At present the author estimates that the duties on the four chief grains cost the consumers 19.91 marks per capita annually,

of which only 2.45 marks go to the state, the remainder (17.46 m.) being a tax levied on 81 per cent of the population for the benefit of the other 19 per cent. The state consequently finds increasing difficulty in meeting its growing needs. Moreover, in spite of the rye exports, the duties have failed to render Germany self-supporting, since a third of the wheat and two fifths of the barley—altogether enough to feed the nation 52.6 days each year—must be imported. Meantime wages have not risen in proportion, and in some industries, notably mining, have risen little if at all. Finally, the sums thus wrung from the people have given rise to a huge land speculation in the eastern grain-growing provinces, over half the estates having changed hands from 1903-1907, while prices have doubled and tripled in a few years. Thus (the author holds) is medieval forced labor reestablished in a modern form, for the enrichment of the few at the expense of the many.

Several defects have been noted in the foregoing discussion. Another of a more general character is the mixture of methods which makes both history and analysis difficult to follow. The elasticity of the demand for wheat is also calculated on the basis of Gregory King's formula, without any attempt at verification. Again, this formula indicates that the Bismarckian duties possibly depressed the world price 4 per cent, but the author argues that this depression was temporary, because the elasticity of demand would soon take it up. The elasticity of demand, however, had already been allowed for in King's formula. Finally, considerable space is occupied by personal polemics of slight general interest.

Despite these limitations, however, the work is of decided interest and value in relation not only to tariffs, but also to agricultural economics. It is the only fairly adequate summary of the existing and widely scattered literature on German agricultural protection. As such it is of special significance in view of present conditions and tendencies in the United States, and would serve a useful purpose if translated and carefully edited.

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#### NEW BOOKS

BOHM, H. *Zölle und Steuern in der Praxis der Eisenbahnen Deutschlands*. (Munich: F. Gais. 1911. 1.30 m.)